

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

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In re: :
:
THE FINANCIAL OVERSIGHT AND : PROMESA
MANAGEMENT BOARD FOR PUERTO RICO, : Title III
:
as representative of : Case No. 17-BK-3283 (LTS)
:
THE COMMONWEALTH OF PUERTO RICO *et al.*, : (Jointly Administered)
:
Debtors.¹ :
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In re: :
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THE FINANCIAL OVERSIGHT AND : PROMESA
MANAGEMENT BOARD FOR PUERTO RICO, : Title III
:
as representative of : Case No. 17-BK-3566 (LTS)
:
THE EMPLOYEES RETIREMENT SYSTEM OF THE :
GOVERNMENT OF THE COMMONWEALTH OF :
PUERTO RICO, :
:
Debtor. :
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¹ The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (the "Commonwealth") (Bankruptcy Case No. 17-BK-3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17-BK-3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17-BK-3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17-BK-3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17-BK-4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority ("PBA") (Bankruptcy Case No. 19-BK-5233-LTS) (Last Four Digits of Federal Tax ID: 3801) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

**ADDITIONAL OBJECTION OF OFFICIAL COMMITTEE OF
UNSECURED CREDITORS TO CLAIMS ASSERTED BY
OAKTREE FUNDS² THAT HOLDS BONDS ISSUED BY EMPLOYEES
RETIREMENT SYSTEM OF GOVERNMENT OF PUERTO RICO**

To the Honorable United States District Judge Laura Taylor Swain:

The Official Committee of Unsecured Creditors (the “Committee”)³ hereby files this additional objection (the “Objection”) to all claims asserted against ERS and the Commonwealth by the Oaktree Funds based on outstanding bonds issued by ERS in 2008 (the “ERS Bonds”). In support of this Objection, the Committee respectfully states as follows.

BACKGROUND

1. On March 12, 2019, the Committee filed its *Objection of Official Committee of Unsecured Creditors to Claims Asserted by Oaktree Funds That Hold Bonds Issued By Employees Retirement System of Government of Puerto Rico* [Docket No. 5586 in Case No. 17-03283 (LTS)], in which it objected to all ERS bond-related claims by the Oaktree Funds on the grounds that the ERS Bonds were issued *ultra vires*.

2. On April 23, 2019, the Official Committee of Retired Employees of the Commonwealth of Puerto Rico filed its *Omnibus Objection of the Official Committee of Retired Employees of the Commonwealth of Puerto Rico, Pursuant to Bankruptcy Code Section 502 and Bankruptcy Rule 3007, to Claims Filed or Asserted By Holders of ERS Bonds Against ERS and the Commonwealth* [Docket No. 6482 in Case No. 17-03283 (LTS)] (the “Retirees’ Objection”), in which it objected to all ERS bond-related claims on *ultra vires* grounds and on additional

² Oaktree-Forrest Multi-Strategy, LLC (Series B), Oaktree Opportunities Fund IX, L.P., Oaktree Opportunities Fund IX (Parallel), L.P., Oaktree Opportunities Fund IX (Parallel 2), L.P., Oaktree Huntington Investment Fund II, L.P., Oaktree Opportunities Fund X, L.P., Oaktree Opportunities Fund X (Parallel), L.P., Oaktree Opportunities Fund X (Parallel 2), L.P., and Oaktree Value Opportunities Fund, L.P. (collectively, the “Oaktree Funds”).

³ The Committee is the official committee of unsecured creditors for all Title III Debtors, other than PBA and COFINA.

grounds (the “Non-Ultra Vires Grounds”) including, without limitation, that (i) the ERS Bondholders (as defined therein) cannot assert claims against the Commonwealth for payment of the ERS Bonds because the ERS Bonds are limited, non-recourse obligations of ERS with respect to which the Commonwealth has no, and the ERS Bondholders disclaimed any, liability for payment of the ERS Bonds, (ii) the ERS Bondholders are improperly asserting postpetition claims against ERS and the Commonwealth, and (iii) the Court should disallow the ERS Bondholders’ claims to the extent that they allege a security interest in (a) property of the Commonwealth (because claims impermissibly asserted by the ERS Bondholders cannot be secured claims), (b) property of ERS other than prepetition employer contributions (because no security interest was granted to ERS in any such property), or (c) postpetition assets of ERS (because employer contributions are not “special revenues” and section 552(b) of the Bankruptcy Code, as incorporated by PROMESA, is inapplicable to the ERS Bondholders’ purported security interest).

PROCEDURAL BACKGROUND

3. This Objection is filed in accordance with the *Order Establishing Initial Procedures with Respect to (I) Objections of Official Committee of Unsecured Creditors and Official Committee of Retired Employees, Pursuant to Bankruptcy Code Section 502 and Bankruptcy Rule 3007, to Claims Asserted by Holders of Bonds Issued by Employees Retirement System of Government of Commonwealth of Puerto Rico, (II) Count One of Certain Complaints Alleging That Such Bonds Were Issued Ultra Vires and (III) Establishing Claim Objection Deadline for Certain ERS Bond Claims* [Docket No. 8818 in Case No. 17-03283 (LTS)] (the “ERS Procedures Order”) entered by the Court on October 7, 2019. The ERS Procedures Order sets January 6, 2020 as the deadline for additional objections to any ERS Bond Claims (as defined therein).

RELIEF REQUESTED

4. By this Objection, the Committee seeks the disallowance of the claims by the Oaktree Funds against ERS and the Commonwealth (the “Oaktree Claims”) in their entirety on the grounds set forth in the *Additional Omnibus Objection of Official Committee of Unsecured Creditors to Claims Asserted by Holders of Bonds Issued by Employees Retirement System of Government of Puerto Rico* [Docket No. 9708 in Case No. 17-3283 (LTS)] (the “Additional ERS Bonds Objection”), which objection seeks the disallowance of all claims asserted against the Commonwealth and ERS based on the ERS Bonds, except the Oaktree Claims.⁴

5. For all the reasons stated in the Additional ERS Bonds Objection, the Committee hereby objects to the Oaktree Claims.

6. Further, the Committee hereby requests the same remedies requested in the Additional ERS Bonds Objection regarding the Oaktree Claims.

NOTICE

7. Notice of this Objection has been provided to the following entities, or their counsel, if known: (i) the U.S. Trustee; (ii) the Office of the United States Attorney for the District of Puerto Rico; (iii) the Puerto Rico Fiscal Agency and Financial Advisory Authority; (iv) the Official Committee of Retirees; (v) the Oaktree Funds; (vi) The Bank of New York Mellon, N.A., as Fiscal Agent for the ERS Bonds; and (vii) all parties that have filed a notice of appearance in the above-captioned Title III cases.

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⁴ As this Court is aware, the ERS Bondholders’ and fiscal agent’s motions (and related joinders) for allowance and payment of postpetition and administrative expense claims [Docket Nos. 9285, 9294, 9298, and 9299 in Case No. 17-3283 (LTS)] are currently stayed, and the related briefing schedule will be determined after a meet and confer process in accordance with the ERS scheduling order, dated October 24, 2019 [Docket No. 8962 in Case No. 17-3283 (LTS)] (as amended). The Committee reserves all its rights in regard to these motions.

WHEREFORE, the Committee respectfully requests that the Court enter an order substantially in the form attached hereto granting the relief requested herein and granting such other and further relief as the Court deems just and proper.

Dated: January 6, 2020

/s/Juan J. Casillas Ayala

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*Local Counsel to Official Committee of Unsecured Creditors for
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